

BULLETIN No. 01-LG-006-12/31

December 31, 2001

TO: All Property and Casualty Insurers

RE: Limited Mold Exclusions (Property)

Claims for mold damage have been quite the focus in recent months, therefore, the Department of Insurance and Securities Regulation (DISR) has decided, with regard to mold coverage, that insurers will be allowed to exclude coverage for mold that is not the result of a covered cause. Insurers will not be allowed to exclude coverage for mold that results from a covered cause.

Insurers may provide *limited* coverage for the removal of mold that is directly related to covered water damage. An example of mold coverage that would be covered would be mold following a covered accidental discharge or overflow of water. DISR will allow the exclusion of coverage for procedures, such as testing, treating, containing or deposing of mold, beyond that necessary to repair or replace property physically damaged by water. DISR requests that policyholders be given the option to purchase additional coverage in the form of a buy back endorsement to address the excluded exposure. The policy language should advise the insured that continuously ignoring indications of *or* prior knowledge of a water problem could result in a claim being denied.

Please contact DISR's Supervisory Insurance Examiner - Forms and Policy Analysis Branch at (202) 442-7782 or via [email](#) should you have any questions.